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Poultry and Products

Annual

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Report Highlights:

Due to the impact of the Avian Influenza (AI) outbreak in early 2004, combined with high feed costs, broiler production in 2004 is expected to drop about 15 percent. For 2005, with expectations that feed input prices will decline, and that the AI problem remains in check, broiler meat output is forecast to rebound about 8 percent.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Jakarta [ID1]

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POULTRY, MEAT, BROILER**SECTION I – SITUATION AND OUTLOOK****Production**

Due to the impact of the Avian Influenza (AI) outbreak in early 2004, combined with high feed costs, broiler production in 2004 is expected to drop about 15 percent. For 2005, with expectations that feed input prices will decline, and that the AI problem remains in check, broiler meat output is forecast to rebound about 8 percent.

While the local industry has rebounded somewhat since the height of the AI outbreak in early 2004, when for a period of about two months slaughter was off as much as 35 percent, obstacles to a complete and full recovery remain. First, the financial impact of the AI outbreak has not yet completely run its course, and it may take at least another two years for the industry to again achieve the double-digit growth rates that it had prior to the disease. Small to medium-sized farms have still not recouped the losses sustained during the outbreak. Second, many fear a resurgence of AI, which again would be very costly to the industry and also hurt consumer confidence. In July, there were scattered reports of new AI cases in East Java, and the threat will remain for at least the rest of the year. While the Ministry of Agriculture is doing its best to prevent further cases, reportedly bio-security practices remain lax, and the quality of the vaccines used remain in question. Finally, while landed prices have weakened in recent months, protein meal prices remain high, lowering profitability. The ban on imports of U.S. meat and bone meal (MBM) has exacerbated the low to negative margins.

Day-Old-Chick (DOC) for broiler production in 2004 is estimated at approximately 18 million head/week or about 936 million per year, and forecast at around 20 million in 2005.

Lower broiler numbers and feeding has similarly led to lower demand from the feed mill industry. Feed production is expected to reach 5.8 million tons in 2004 (excluding cattle feed, which is approximately 0.6 million tons), a decrease of 15 percent from the previous year, and well below the industry's estimated 10 million ton capacity. High soy meal and MBM prices have resulted in more use of feather meal and poultry by-products.

With a relatively low per capita broiler consumption, an increasing population, and economic growth, prospects for renewed growth remains bright. Nonetheless, the industry has just begun what will probably be a 2 to 3 year recovery period, and processing and cold storage deficiencies continue to create bottlenecks in distribution and marketing.

Consumption

Reports of the AI outbreak, and consumer misunderstanding of the actual risks involved, led to a sharp temporary decline in meat demand in early 2004. As a result, total consumption is forecast to fall in 2004. With a rebound in consumer confidence, consumption is forecast to grow about 8 percent in 2005. In 2004, broiler consumption is estimated at 627 million tons, or only 2.9 kg/capita/year (215 million population at 2003).

Development in the broiler industry has been greatly influenced, not only by the growth in the population and production, but also by the role of downstream industry, which makes broiler products more affordable for consumers. Sales of processed chicken, such as nuggets, are increasing at an average of 10 percent every year. As part of the distribution chain for frozen food products, the expansion by the retail industry is increasing the

distribution flow of nuggets. In addition, 20 percent of broiler meat production goes to franchise restaurants that serve fried chicken.

Trade

The ban on imported chicken parts from the U.S. remains in effect, and imports are insignificant. Indonesia was exporting a small quantity of processed broiler meat to Japan, but this trade was discontinued after the AI outbreak.

Prices

In February and March 2003, at the height of the AI problem, a loss in consumer confidence, fueled by unbalanced media coverage, led to about a 39 percent drop (Rp. 7,776 in January 2004 and Rp 4,705 in February 2004) in prices. Prices then returned to more normal levels in April 2004 (Rp. 7,566).

Similarly, DOC prices decreased sharply from Rp 2,000 in September 2003 to only Rp. 800 in February 2004, which coincided with the official announcement of the AI outbreak. In July 2004, the price rebounded back to the range of Rp. 2,000.

Additional information

Please visit the following website to find any related information in "Bahasa Indonesia":
<http://www.poultryindonesia.com>; <http://www.trobos.com>; <http://www.efeedgrain.com>;
<http://www.pinsar.com>, <http://www.deptan.go.id>.

SECTION II – STATISTICAL INFORMATION AND TABLES

Tabel 1: Production, Supply and Demand: Poultry, Meat, Broiler

PSD Table

Country Commodity	Indonesia					
	Poultry, Meat, Broiler					
	(1000 MT)(MIL HEAD)					
	2003	Revised	2004	Estimate	2005	Forecast
Market Year Begin	USDA Official [Estimate [USDA Official [Estimate [USDA Official [Estimate [
	01/2003		01/2004		01/2005	
Inventory (Reference)	121	121	130	104	0	111
Slaughter (Reference)	870	870	939	742	0	799
Beginning Stocks	0	0	0	0	0	0
Production	735	735	793	627	0	675
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	735	735	793	627	0	675
Whole, Exports	0	0	0	0	0	0
Parts, Exports	3	2	3	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	3	2	3	0	0	0
Human Consumption	732	733	790	627	0	675
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	732	733	790	627	0	675
TOTAL Use	735	735	793	627	0	675
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	735	735	793	627	0	675
Calendar Yr. Imp. from U	0	0	0	0	0	0

Note:

Inventory: population divided by 8 (the number of slaughter cycle per year)

Slaughter: 90% of population (10% mortality)

Production: 65% of slaughter (head to weight) x average live bird weight (1.3 kg)

Table 2: Poultry, Meat, Broiler, Export

Export Trade Matrix

Country Indonesia

Commodity Poultry, Meat, Broiler

Time Period	Jan-Dec	Units:	MT
Exports for:	2002		2003
U.S.		U.S.	
Others	0	Others	3
Japan	2,346		2,753
Malaysia	0		5
Total for Others	2,346		2,761
Others not Listed	0		0
Grand Total	2,346		2,761

Table 3: Poultry, Meat, Broiler Import

Import Trade Matrix

Country Indonesia

Commodity Poultry, Meat, Broiler

Time Period	Jan-Dec	Units:	
Imports for:	2002		2003
U.S.	28	U.S.	183
Others		Others	
Australia	256	Canada	22
China	22	Korea	1
Singapore	6		1
Total for Others	312		207
Others not Listed	0		0
Grand Total	312		207

Table 4: Poultry, Meat, Broiler, Price

Prices Table

Country Indonesia

Commodity Poultry, Meat, Broiler

Prices in per uom

Year	2003	2004	% Change
Jan	11,813	12,300	4%
Feb	11,250	11,625	3%
Mar	10,750	11,950	11%
Apr	11,275	12,325	9%
May	11,338	12,110	7%
Jun	10,900	12,650	16%
Jul	11,150	13,375	20%
Aug	11,166		-100%
Sep	10,975		-100%
Oct	11,575		-100%
Nov	12,150		-100%
Dec	11,725		-100%

Exchange Rate Local Currency/US \$

Date of Quote MM/DD/YYYY

Source: Center for Market Information (PIP), the Ministry of Industri & Trade

**Table 5: Average Retail Prices of Beef and Poultry Meat 2003
(at the Jakarta Markets)**

Month	Beef (Rp./kg)	Poultry Meat (Rp./kg)
January	37,075	11,813
February	36,500	11,250
March	36,350	10,750
April	36,475	11,275
May	36,700	11,338
June	36,675	10,900
July	36,375	11,150
August	36,542	11,166
September	36,000	10,875
October	36,775	11,575
November	36,875	12,150
December	36,475	11,275

Source: Center for Market Information (PIP), the Ministry of Industry & Trade

**Table 6: Average Retail Prices of Beef and Poultry Meat 2004
(at the Jakarta Markets)**

Month	Beef (Rp./kg)	Poultry Meat (Rp./kg)
January	36,875	12,300
February	36,825	11,625
March	37,400	11,950
April	37,450	12,325
May	36,775	12,110
June	36,325	12,650
July	36,425	13,375
August		
September		
October		
November		
December		

Source: Center for Market Information (PIP), the Ministry of Industry & Trade

Table 7: Exchange Rate

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2,387	2,403	2,418	2,443	2,458	2,450	2,528	2,190	3,350	3,700	3,740	5,700
1998	13,513	9,377	8,740	8,211	10,767	15,160	13,850	11,700	11,314	9,142	7,755	8,100
1999	9,419	8,992	8,778	8,632	8,179	6,750	6,989	7,736	8,571	6,949	7,439	7,161
2000	7,414	7,517	7,598	7,988	8,728	8,742	9,055	8,370	8,891	9,483	9,524	9,385
2001	9,488	9,914	10,460	11,675	11,375	11,440	9,525	8,670	9,675	10,435	10,430	10,200
2002	10,383	10,222	9,779	9,441	9,823	8,741	9,171	8,938	9,057	9,257	9,020	8,929
2003	8,877	8,917	8,957	8,711	8,274	8,259	8,643	8,488	8,468	8,627	8,537	8,528
2004	8,417	8,439	8,587	8,661	9,210	9,415	9,056					

Table 8: Poultry Meat Tariffs

Harmonize System Code	Description of Goods (HS Number)	2004 Import Duty (%)	VAT (%)	2003 Import Duty (%)	VAT (%)
02.07	Meat and edible offal of the poultry of heading No. 01.05, fresh, chilled or frozen				
	-Of fowls of the species Gallus domesticus				
0207.11.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.12.000	Not cut in pieces, frozen	5	10	5	10
0207.13.000	Cuts and offal, fresh or chilled	5	10	5	10
0207.14.000	Cuts and offal, frozen	5	10	5	10
	-Of Turkeys				
0207.24.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.25.000	Not cut in pieces, frozen	5	10	5	10
0207.26.000	Cuts and offal, fresh or chilled	5	10	5	10
0207.27.000	Cuts and offal, frozen	5	10	5	10
	-Of ducks, geese or guinea fowls				
0207.32.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.33.000	Not cut in pieces, frozen	5	10	5	10
0207.34.000	Fatty livers, fresh or chilled	5	10	5	10
0207.35.000	Other, fresh or chilled	5	10	5	10
0207.36.000	Other, frozen	5	10	5	10
1601.00.000	Sausages and Similar Products, of meat, meat offal or blood; food preparations based on these products	5	10	5	10
1602.32.000	Meat, meat offal or blood of fowls prepared or prepared	5	10	5	10

Source: 2004 Government of Indonesia Tariff Book